

TRANSMITTAL SLIP		<small>DATE</small> 24 Oct 63
TO: NIO/Economics		
ROOM NO. 7E58	BUILDING Hqs	
REMARKS: Memorandum on Treasury Department meeting on 21 October.		
FROM: C/NESA/AI/M		
ROOM NO. 6G00	BUILDING Hqs	EXTENSION

24 October 1983

MEMORANDUM FOR THE RECORD

SUBJECT: Meeting at Department of the Treasury

25X1 1. On 21 October 1983, [] and I attended a meeting at Department of the Treasury to consider the US position at a Donor's Meeting for Morocco in Paris on 3 November 1983. Attached in a list of participants and an Issue Paper describing the proposed position. DAS George Hoguet chaired the meeting and opened with a few background remarks. Peter Sebastian from State alerted the group that the US should keep in mind that CCC credits to Morocco are likely to disturb the French, particularly since Paris has had to roll over a sizeable Moroccan debt repeatedly. The US Trade Representative also mentioned that the meeting in Paris should be an occasion for the US representative to urge on the Moroccans a more open, flexible position in current negotiations on a bilateral investment treaty. []

25X1 2. No objections were voiced on the position outlined and the meeting was adjourned. []

25X1 []
C/NESA/AI/M

Attachment: As stated

Distribution:

1 - NIO Economics
1 - NIO Near East/South Asia
1 - NESA/AI/D
1 - NESA/AI/M
25X1 DDI/NESA/AI/M [] 24 Oct 83)

25X1 CONFIDENTIAL []



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

Interagency Group
on
International Economic Policy

Department of the Treasury, Room 4426
Friday, October 21, 1983
10:00 a.m.

Treasury	-	George Hoguet, DAS (International)
OVP	-	L/C William Eckert, Military Aide
State	-	James Placke Larry Greenwood
Defense	-	Col Weida Kim Savit
Commerce	-	Joseph Dennin Gwen Brown
Agriculture	-	Melvin Sims, General Sales Mgr Fred Oxley, Br Ch, Fiscal & Operations
25X1 CIA	-	[REDACTED], North Africa Morocco Analyst
USTR	-	S. Bruce Wilson, Dep Asst USTR Carol Miller, Intl Economist
NSC	-	Roger Robinson
CEA	-	Jeffrey Frankel, Senior Economist
OMB	-	
OPD	-	Eugene McAllister
OCA	-	Thomas Gibson
AID	-	Antoinette Ford, Asst Admr, Near East Thomas Reese, Dir, Morocco Office

LIMITED OFFICIAL USE

ISSUE PAPER

U.S. POSITION

Issue: What should be the U.S. Delegation's position concerning U.S. assistance levels to be pledged at the Donor's Meeting for Morocco in Paris on November 3?

Background: In conjunction with an IMF Stand-by, the GOM has requested official and private creditor rescheduling of principal and interest coming due in the remainder of 1983 and 1984 and additional foreign assistance to cover the balance of payments gap remaining after debt rescheduling. The National Advisory Council is evaluating the GOM request for official debt relief and will have a final position on Friday October 21. The IG meeting on October 20 provides an opportunity to review Morocco's overall financial situation and to decide the appropriate USG position regarding aid pledging.

USG assistance to Morocco has been substantial in the past and the request for U.S. FY 1984 would increase economic assistance from \$48.1 million in 1983 to \$60.5 million (see Tab A). Credits and guarantees provided by the Commodity Credit Corporation amounted to \$197 million in FY 1983 and probably will be the same or higher in FY 1984, given the fact that Morocco is a French market targeted by the USG for export penetration. The total of these sources of economic assistance is around \$250 million. This means that the United States is one of the largest donors to Morocco, along with France and Saudi Arabia. (Tab B shows GOM estimates of foreign assistance in 1983 and 1984 by country of donor.)

The financial analysis prepared in the NAC paper on debt rescheduling (Tab C), shows that Morocco has a post-rescheduling gap of \$117 million in 1983 and \$425 million in 1984. The Saudis have already indicated they will contribute \$100 million to Morocco in 1983, which just about covers that gap. On the margin, there may also be some flexibility in the assumed build-up of official reserves. Regarding 1984, the gap may still be overestimated since it is based on IMF balance of payments data which show a drop off in grants in 1984 of \$150 million and a drop off in public sector loan disbursements of \$469. (IMF balance of payments estimates exclude military imports and military assistance since they net to zero.) The declines in these two forms of assistance more than account for the remaining gap. The IMF staff claims that the decrease in aid disbursements is due to Morocco's cutback in development projects and that faster disbursements are not possible at this time. However, much of USG foreign assistance provided to Morocco consists of trade finance, which is direct balance of payments assistance. We do not have data on the nature of other countries' foreign assistance, but we believe that trade finance plays a large part of

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

-2-

French assistance, for instance. Therefore, if other countries can maintain aid in 1984 at 1983 levels, which may require that some project aid be converted to program assistance, the gap should be filled. In addition, the decline in Saudi grants from \$150 million in 1983 to the currently projected \$0 in 1984 appears extreme. Assuming that there will be some new grants from Saudi Arabia would seem appropriate, although the SAG has not yet pledged any.

For these reasons, Morocco does not now appear to need "additional" foreign assistance, only maintenance of aid inflows at 1983 levels. Some reprogramming of other countries' foreign assistance may be necessary to ensure that the aid provides direct balance of payments financing.

Recommended U.S. Position: The U.S. delegation should state that it will seek to commit during FY 1984, subject to Congressional appropriations, \$7 million in Economic Support Funds, \$19 million in Development Assistance, and \$34.5 million in PL 480. The U.S. delegation should explain that this represents increases over 1983 levels in Economic Support Funds (which were \$0 in 1983) and Development Assistance and a slight decrease in PL 480. In addition, CCC credits and guarantees were \$197 million in 1983 and, while final determination of these amounts has yet to be made for 1984, we expect that Morocco will continue to receive substantial amounts of commodity credits and guarantees.

The U.S. delegation should then question the other delegations present on the nature and amounts of the foreign assistance which they plan to provide to Morocco.

LIMITED OFFICIAL USE

**FOREIGN ASSISTANCE
HISTORICAL DATA**
BILATERAL ASSISTANCE AUTHORIZED
(In Millions of Dollars)

	<u>1982 Actual</u>	<u>1983 CR&SP*</u>	<u>1984 Request</u>
BUREAU: NEA			
COUNTRY: <u>MOROCCO</u>			
<u>Security</u>			
FMS/CR (Foreign Military Sales Program/loans)	30	75**	60
MAP (Grant)	0	25	30
IMET (Military Training)	1.3	1.3	1.7
Sub-Total	31.3	101.3	91.7
<u>Other:</u>			
ESF(Economic Support Funds)	0	0	7
Development Assistance (Grant)	10.6	11.8	19
PL 480 I	35	27.5	25
PL 480 II	13.44	8.8	9.5
Sub-Total	59.04	48.1	60.5
TOTAL	90.34	149.4	152.2

* Continuing Resolution and Supplemental

** \$52 million of the earmarked \$75 million FMS loan credits was reprogrammed to El Salvador in March 1983. The \$52 million was restored in August 1983 and is in process of being obligated as required prior to the end of the fiscal year on September 30.

Tab A

MoroccoAid Inflows
(\$ millions)Disbursements of Foreign Assistance to Morocco by Country
of Donor.

	<u>1983</u>	<u>1984</u>
OECD <u>1/</u>	710	510
France	270	180
U.S.	249	201
U.K.	51	12
Others	140	117
Arab	83	44
Saudi Arabia <u>2/</u>	15	23
U.A.E.	55	6
Kuwait	13	15
Other Governments	15	0
Multilateral Aid	289	216
Commercial Banks	178	9
Total	1275	779

1/ Includes financial institutions guaranteed by donor country governments

2/ Excludes \$150 million in grants from Saudi Arabia in 1983.

Source: GOM provided data.

LIMITED OFFICIAL USE

Morocco

Summary: Financial Gap and Its Financing
(millions of dollars)

Funds Available <u>1/</u>	1146	559
Scheduled Debt Repayments (-) <u>2/</u>	<u>-1959</u>	<u>-2067</u>
Debt Rescheduling Gap (-)	-813	-1508
Debt Rescheduling		
London Club	89	322
Paris Club (and other bilateral)	610	781
(less interest on new financing)	<u>-3</u>	<u>-20</u>
Residual Gap (-)	-117	-425
Financing from donors:		
Saudi Aid	100	
Others	17	
Maintain 1983 Aid Levels	--	425 (or more)

1/ From current account (except interest payments) plus capital account other than debt repayments (both principal and interest) and extraordinary financing.

2/ Includes both principal and interest maturities and arrears.

LIMITED OFFICIAL USE